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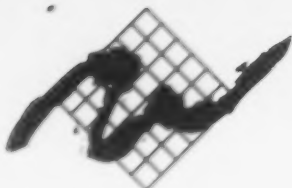
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ABSTRACT

Studies indicate these potential sources of wage differentials between women and men: women have different skills and qualifications; they work in the same jobs and establishments and have equal qualifications but receive unequal pay; and they work in different jobs or establishments, where pay is low, but have qualifications similar to men working where pay is higher. Differential hiring and employment patterns suggest occupational segregation is an important explanation of the wage gap. Extent of female dominance in an occupation affects its pay rate, net of such factors as differences in qualifications of job incumbents, differences in job requirements, and differences in characteristics of occupations or industries. Discrimination causes women's families to lose because of lower income and causes women to under-invest in themselves and reduce their educational attainment and skill development. The Fair Pay Act offers a remedy to effectively raise women's wages in female-dominated jobs. A study of 20 state governments that implemented pay equity wage adjustments in their civil services has found the following: (1) state-made pay adjustments addressed the problem of unequal pay effectively; (2) states that targeted specific underpaid female-dominated jobs spent a relatively small portion of their total wage bill on pay equity adjustments; and (3) these remedies did not have the unfortunate side effects many economists predicted. (Contains 19 endnotes.) (YLB)



INSTITUTE FOR WOMEN'S POLICY RESEARCH
1707 L Street NW, Suite 750 • Washington, DC 20036

ED 452 347

**NEW AND STRONGER REMEDIES ARE NEEDED TO REDUCE GENDER-BASED
WAGE DISCRIMINATION**

Testimony of

Heidi I. Hartmann, Ph.D.

Director, Institute for Women's Policy Research

Before the U. S. Senate

Committee on Health, Education, Labor and Pensions

Hearing on

Examining Gender-Based Wage Discrimination

June 8, 2000

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Mr. Chairman and Members of the Committee:

I am Heidi Hartmann, President of the Institute for Women's Policy Research, an independent, scientific research institute focusing on women's economic issues. Trained as a labor economist, with the Ph.D. degree from Yale University, I have studied women's employment issues for more than 25 years. I am also a Research Professor at George Washington University. I am pleased to have the opportunity to testify today on gender-based wage discrimination and make the case for the importance of new remedies to reduce wage discrimination against women. With me to assist in answering questions is Dr. Vicky Lovell of the IWPR staff.

How Much Discrimination?

Exactly how much of the wage differences we observe between women and men in the labor market is due to discrimination by employers cannot be known with absolute certainty. Within the discipline of economics, there are different schools of thought on the subject.

Some economists believe that, if there ever was discrimination, it has been mostly eliminated by now and all remaining differences can be explained by legitimate factors or are the result of inadequate or improper measurement. They argue that differences in preferences between men and women lead them to pursue different occupations in different industries and to spend different amounts of time and money on preparing for work and on working in the labor market. In other words, they argue that women choose to work less than men and choose lower-paid careers.

Other economists point to the still considerable unexplained wage gap between women and men (that which cannot be readily explained by differences in education, career choice, or time spent in the labor market) and argue that most or all of the *unexplained* gap is likely due to discrimination. Many further argue that even some of the *explained* difference in pay is due to discrimination since, because women face a lower wage in the market place, they may invest less in training and education and work less than they would in the absence of discrimination. In addition, even when women willingly work in different jobs from men, they may face unfair pay differentials if the pay differences are larger than is warranted by the differences in the work performed.

Moreover, nearly all the data available to analyze these issues are inadequate in one way or other. Thus, a comprehensive understanding of the subject requires judgment and weighing of many different studies and kinds of information. And, since science provides no definitive answer to the question of how much discrimination affects women's wages, it remains for members of Congress to judge the extent of discrimination and the urgency of the current situation, taking into consideration not only expert opinion but also the views of their constituents and their own experiences.

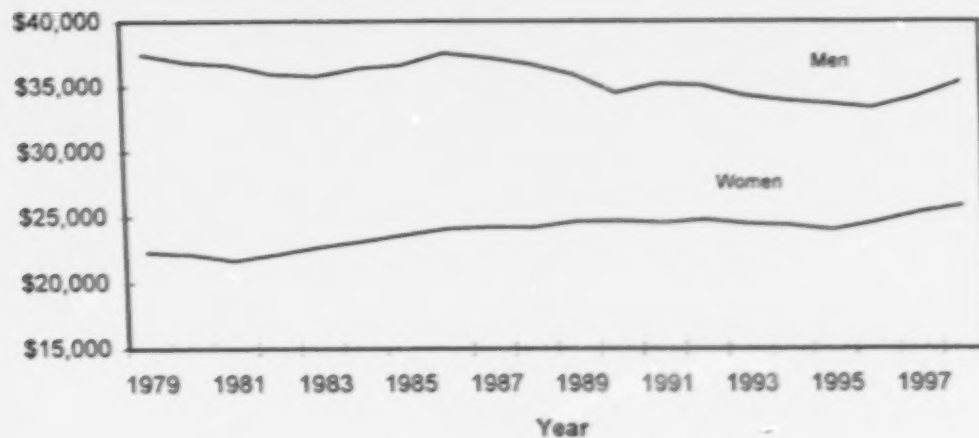
In my view, the weight of the evidence supports the contention that discrimination in the labor market is still substantial and remains a significant problem, a problem which will not fade away on its own but must be addressed by effective public policies.

Women have done a great deal on their own to improve their earnings by increasing their education and their time in the labor market and by pursuing occupations new to them. By these means, they have made considerable progress in narrowing the wage gap. The wage gap (based on median annual earnings of full-time, year-round workers), which was about 40 percentage points throughout much of the 1970s, had shrunk to 27 percentage points by 1998.

Unfortunately, women's progress in narrowing the wage gap has stalled in recent years. Figure 1a shows that for most of the 1980s women's median annual earnings for full-time, year-round work rose in real terms (adjusted for inflation), while men's generally fell. The wage gap narrowed for both reasons as women's and men's real earnings converged. Beginning in the late 1980s the pace of growth in women's real earnings slowed, and with the economic recovery in the 1990s, men's real wages began to grow again, and much more steeply than women's. Thus, in the past few years the ratio of women's to men's earnings has actually fallen (and the gap has grown), as shown in Figure 1b. Figure 2 fits a trend line to a similar data series, quarterly observations of the ratio of women's to men's median weekly earnings for usual full-time workers, aged 25-54, and shows quite clearly that progress in improving women's earnings relative to men's has halted.

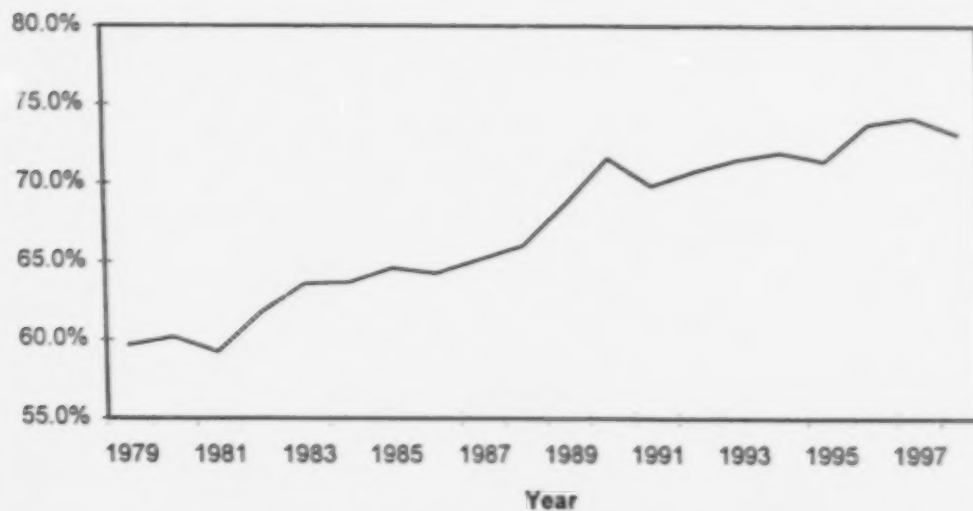
I have been studying women's progress in the labor market for many years, and I have often been able to tell an optimistic story. Today I am deeply concerned that progress has slowed, even ceased, and that the gap will widen, not narrow, unless Congress acts now to combat discrimination against women in the labor market.

Fig. 1a. Median Annual Earnings, Full-Time, Year-Round Workers, 1979-1998 (1998 dollars)



Source: IWPR analysis of March Current Population Survey data; workers aged 15 and older.

Fig. 1b. The Wage Ratio: Women's Median Annual Earnings as a Percent of Men's, Full-Time, Year-Round Workers, 1979-1998 (1998 dollars)

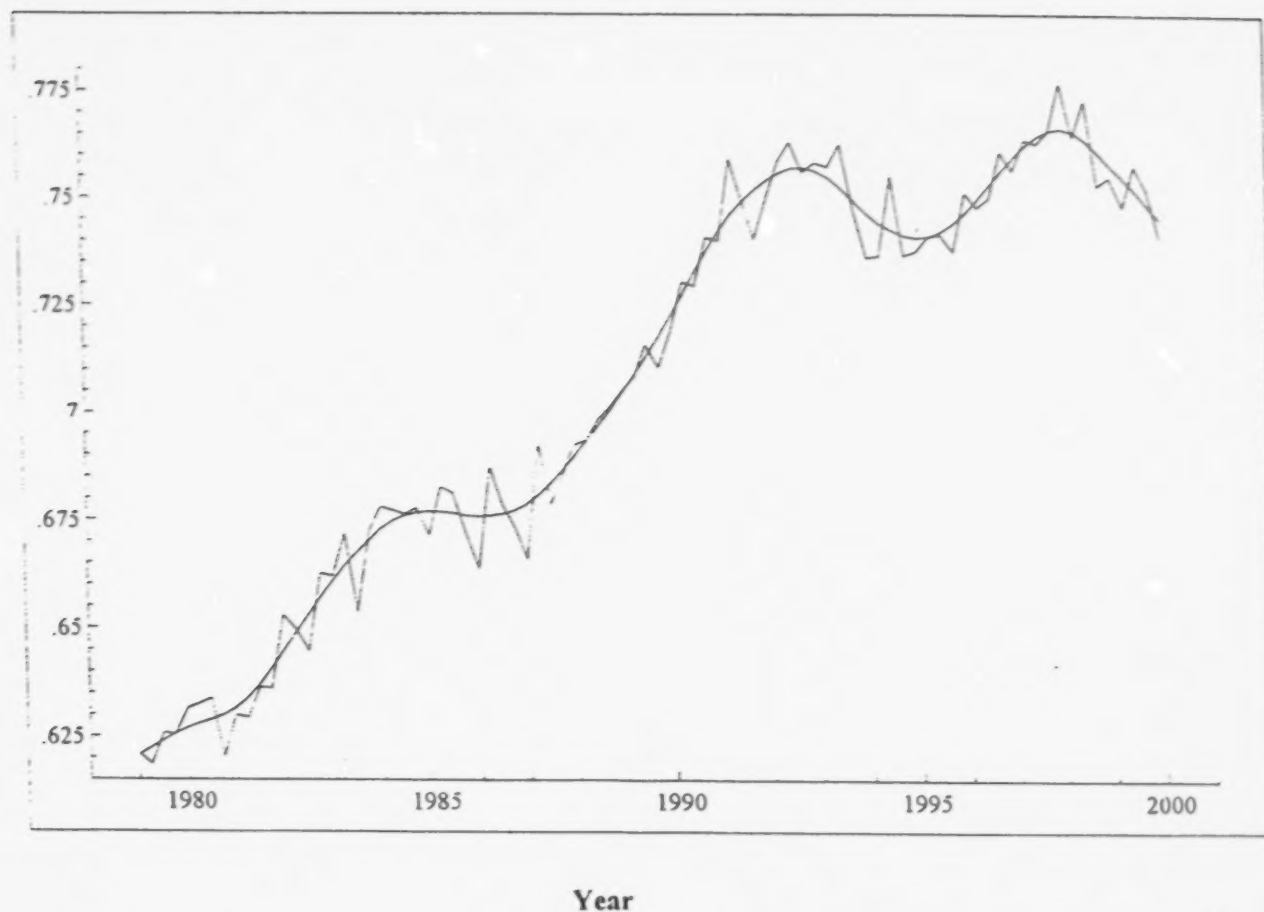


Source: IWPR analysis of March Current Population Survey data; workers aged 15 and older.

Figure 2

**Ratio of Female to Male Median Weekly Earnings,
for Usual Full-time Workers, Aged 25-54.
First Quarter 1979 to First Quarter 2000, with Trend Line.**

Ratio



Source: Analysis of Bureau of Labor Statistics data by the Economic Policy Institute and the Institute for Women's Policy Research

I will first review the evidence from research studies about the types and sources of discrimination. After discussing the harm discrimination does to women and their families, I will focus on the Fair Pay Act as a remedy for one important form of wage discrimination against women, the lower pay of jobs held disproportionately by women relative to comparable jobs held disproportionately by men.

The Weight of Expert Opinion

There are several potential sources of wage differentials between women and men.

1. Women may have different skills and qualifications from men and thus earn less. For example, women and men often study different subjects in college, and, on average, men have about 5 more years of accumulated years of labor market experience than women. Most experts (and others) view differences in pay for these reasons as fair. The part of the pay gap due to these factors can be explained, then, as legitimate and is not considered to be due to labor market discrimination.
2. Women may work in the same jobs and establishments and have equal qualifications as men but receive unequal pay. Most people would think such differentials are improper and wonder how equally qualified men and women doing identical work could be paid differently if not for discrimination. Pay differences for these reasons cannot be explained by measurable factors and the resulting portion of the pay gap that remains unexplained may reasonably be considered to be due to discrimination.
3. Women may work in different jobs or establishments (in different occupations and industries, for example), under different working conditions (for example, without union representation), where pay is low, but have qualifications similar to men working elsewhere where pay is higher. Again most people would suspect discrimination, wondering why women with similar qualifications as men wind up in lower-paying jobs (unless they prefer them and freely choose them). Perhaps discrimination in hiring and promotion are the main culprits here. But, given that

women and men do work in different places, the differences in wages can be explained by measurable factors such as industry, occupation, and union membership.

4. Because this third type of differential can have both more and less legitimate components, several researchers have attempted to measure the requirements of the different jobs involved, using uniform criteria and isolating legitimate factors such as differences in the content of jobs from less legitimate factors such as the percent of female workers in the job. These researchers reason that if jobs with similar requirements differ only in their propensity to be done by women, then differences in the jobs' pay rates may be due to discrimination. Comparable jobs may pay differently because of the gender of the workers who do them. Gender based wage discrimination across disparate jobs can only occur when men and women tend to work in different jobs. Hence, this phenomenon is dependent on the existence of substantial sex segregation in the job market.

In a 1998 report, the President's Council of Economic Advisers summed up many of the available studies of the explained and unexplained portion of the pay gap.¹ Relying primarily on a 1997 study by Francine Blau and Lawrence Kahn, the Council of Economic Advisers concludes that the unexplained portion of the gap has fallen, indicating a potential decline in discrimination against women. Blau and Kahn's results are summarized in Table 1.

Panel B shows how much of the closing gap between 1979 and 1988 was due to various factors. Their analysis shows that the largest share of the decline in the gap was due to increases in women's labor market experience and their entry into better paying occupations. And, as Panel A shows, in 1988, all characteristics taken together explain 15.8 percentage points or 57 percent of the total gap of 27.6 percentage points (11.8 percentage points remain unexplained). In contrast, in 1979, when all the selected characteristics explained 15.4 percentage points, that amounted to only 41 percent of the total gap of 37.8 percentage points (which was 10.2 percentage points larger than the 1988 gap). In 1988, only 43 percent of the total gap remained unexplained (compared with 59 percent in 1979). Other studies show similar results.

**Table 1: Decomposition of the Gender Wage Gap
and of Changes in the Wage Gap, 1979-1988**

	<u>1979</u>	<u>1988</u>
Ratio of female to male wages	62.2	72.4
Panel A		
Wage ratio after adjusting for gender differences in:		
Education and experience	71.5	80.5
Occupation, collective bargaining and industry	77.6	88.2
Wage gap	37.8	27.6
Explained Portion of Gap	15.4 (40.7%)	15.8 (57.2%)
Unexplained Portion of Gap	22.4 (59.3%)	11.8 (42.8%)

Panel B

Proportion of change in ratio 1979-1988 due to change in:

Education	5.8%
Experience	34.8
Occupation	30.1
Collective bargaining	11.5
Industry	-0.8
All Characteristics	81.4%

Source: Francine D. Blau and Lawrence M. Kahn, "Swimming Upstream: Trends in the Gender Wage Differential in the 1980s," *Journal of Labor Economics*, 15, no. 1, part 1 (January 1997):1-42.

Despite the smaller unexplained gap and the likelihood that discrimination against women declined in that period, the Council of Economic Advisers summarized their review of the research this way:

While none of these studies alone is definitive, taken together they present compelling evidence of the continued existence of gender discrimination in the labor market.²

In reaching this conclusion, the Council of Economic Advisers also reviewed several studies of differences in pay in nearly identical job situations. For example, one study of comparable

women and men working in similar jobs and establishments in 1990 concluded that at least one quarter of the pay gap is due to the different rates of pay that similar workers in similar situations receive.³ The rest was attributed to women and men working in different situations. Other studies have attempted to measure whether pay differences exist even when differences in male and female workers' productivity on the job is taken into account. One such study concluded women were 85 to 96 percent as productive as men but were paid only 66 to 68 percent as much as men.⁴ A study of University of Michigan Law School graduates was able to control for differences in qualifications based on grades and detailed work histories and found that 15 years after graduation women earned only 60 percent of what men earned although they had started out with nearly equal earnings. When women's shorter hours were factored in, women still earned 20 percent less than men, a difference which remained unexplained by any known factors.⁵

Also at the high end of the labor market, the U.S. Department of Labor's Glass Ceiling Commission reported in 1995 that:

... in the private sector, equally qualified and similarly situated citizens are being denied equal access to advancement into senior-level management on the basis of gender, race, or ethnicity.⁶

Commission members based their judgment on an extensive review of data, research, public hearings, interviews, and meeting with focus groups. At the time of publication, 95 percent of senior managers in Fortune 1000 companies were white, 95-97 percent were male. And those women and minorities who were in senior jobs, earned substantially less than white males, with the same degrees, in the same job categories. By 1999, the situation does not appear to have changed much. The 1998 Catalyst census of women in top management in Fortune 500 firms found that only 16.2 percent of corporate officers were women and only 3.8 percent of those with the top titles were women. Their wages also averaged substantially below those of males in the same jobs. In an era when women have increased their representation in management substantially, such small numbers at the top seem unlikely to have occurred by chance or by women's choices.

A testing study in Philadelphia sent matched pairs of men and women to apply for waiting jobs in 65 restaurants. At the high priced restaurants (in which waitpersons most likely would earn more), the women were 40 percent less likely to be interviewed and 50 percent less likely to be hired.⁷ In high-tech industries, in which employment has grown rapidly and

opportunities for high earnings are strong, a new report from the Council of Economic Advisors finds that women's share of employment has been falling since 1986.⁸ The ratio of women's to men's earnings in this sector is 78 percent; when human capital and differences in occupations are accounted for, the unexplained gap falls from 22 percent to 12 percent, virtually the same as for all workers.

At the low end of the labor market, controlling for factors such as education and labor market experience, researchers at the Institute for Women's Policy Research found that women of color were four times more likely than white men to work in low-wage jobs, white women were 3 times more likely, and men of color 1.5 times more likely.⁹

These differential hiring and employment patterns suggest that occupational segregation must also be an important explanation of the wage gap. Indeed, several authoritative empirical studies and reviews of such studies attempting to identify the effect of job segregation on wages indicate that the extent of female dominance in an occupation affects its pay rate, net of such factors as differences in the qualifications of the job incumbents, differences in the job requirements like skill, effort and responsibility required, and/or differences in characteristics of occupations and/or industries. The 1981 National Research Council/National Academy of Sciences study "Equal Pay for Jobs of Equal Value" found that in 1970, occupations dominated by women were paid \$27.50 less per year for each additional percentage point female than equivalent mixed and male dominated occupations. A job in a 100 percent female occupation requiring the same level of skill, effort, and responsibility as a 100 percent male job paid \$2,750 less per year, an amount that is equivalent to \$11,808 in 1999.¹⁰ A 1989 National Research Council collection of studies on pay equity notes that correcting for the effect of percent female on wages economy-wide would narrow the female/male wage gap by about 20 percent. In other countries, the United Kingdom and Australia, the actual effects of pay equity implementation that occurred were larger, 28 and 37 percent of their respective wage gaps were reduced. In two states that implemented pay equity in the United States, Iowa and Minnesota, the wage gaps were reduced 18 percent and 15 percent respectively.¹¹ A textbook on *The Economics of Women, Men and Work* notes that "the lower pay of predominantly female jobs accounts for between 14 and 23 percent of the gender wage gap, even when a variety of occupational and industrial characteristics are also controlled for."¹² All these treatments conclude that pay equity

adjustments have merit as a remedy for the specific form of wage discrimination related to the female dominance of a job in a sex segregated labor market.

Even though sex segregation has fallen substantially during the same time period that women's entry in the labor force accelerated and women's wages grew relative to men's, the phenomena of jobs that are predominantly one sex or the other has not disappeared and wages in female-dominated jobs are still affected by the gender of the workers who do them. The index of sex segregation measured across 470 comparable occupations declined from 67.7 in 1970, to 59.3 in 1980 and 53 in 1990.¹³ The index can be interpreted to mean that 53 percent of women (or men) in 1990 would have had to change jobs in order for men and women to be distributed equally across all occupations. The rate of decrease in sex segregation, like the narrowing of the wage gap, has also slowed in the 1990s compared with the 1980s. Despite decreases in its severity, sex segregation remains a serious problem.

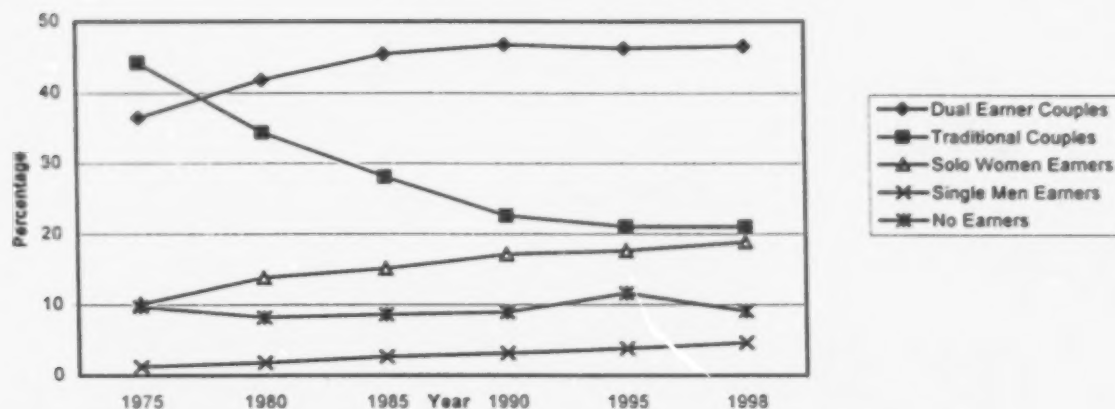
As for expert opinion of a different sort, women themselves believe they face discrimination, as do many men. Among *Fortune* subscribers who were also managers, 77 percent of women and 43 percent of men reported in 1995 that they believed that women need more experience or a higher degree level than men to qualify for the same job. Much higher proportions of both women and men believed that the "existence of a male-dominated corporate culture" is the most important barrier for women. Another 1995 survey of female executives of Fortune 1000 companies found more than half agreeing that "male stereotyping and preconceptions of women" had held back their careers. A 1996 Gallup poll found 37 percent of men and 54 percent of women preferred male bosses.¹⁴ In two polls of working women, conducted in 1994 and 1997, large proportions reported problems with pay equity. In 1994, 49 percent of women reported that "getting paid what a job is worth" was a serious problem on the job. In 1997, 95 percent of working women described equal pay as very important and two out of five cited pay as the "biggest" problem women face at work. In 2000, 87 percent of working women surveyed by the AFL-CIO responded that stronger equal pay laws are important.¹⁵

Why Discrimination is a Problem

The increased participation of women in the labor force over the past 50 years means that women's earnings are increasingly important to the support of their families. Figure 3 uses data from the Bureau of Labor Statistics to show that, in 1998, of all families with children under 18,

Figure 3: The Increasing Responsibility of Women Workers for Family Financial Needs

(All Families with Children Under 18)



Source: IWPR calculations based on Howard Hayghe, 1990, "Family Members in the Workforce," *Monthly Labor Review*, Volume 118, No. 11, March. Data for 1900, 1995 and 1998 from *Statistical Abstract of the United States*. US Census Bureau, US Department of Commerce.

working mothers contributed income in two-thirds (or 65.3 percent) of them (in 18.8 percent only the mother worked, either because she was a single parent or because her husband did not work, while in 46.5 percent the mother was part of a "dual earning couple" in which the father also worked). Figure 3 also shows how the proportion of families with mothers who work in the labor market has grown substantially since 1975, when it was only 46.6 percent. The share of income contributed by wives to family income has also increased, and more single mothers have gone to work since (and somewhat before) welfare reform. All these families are dependent on women's earnings for their standard of living. When women's earnings are reduced by discrimination, rather than by women's preferences or choices they have freely made, their family incomes are unfairly depressed. Many families supported by working single mothers have family incomes below the poverty level in 1998; according to the Census Bureau, 2.5 million working single mothers and their families were poor, representing 24.6 percent of all working single mothers.

In a recent study, IWPR researchers calculated how much women's families lose because women earn less than comparable men. Using data from the 1995-1997 Current Population Surveys and controlling for differences in education, age, hours worked and location of women

and men, the study found that the average family with a working woman loses \$4,229 per year. Across all families, income losses totaled \$200.6 billion in 1997 dollars. The poverty rate of working single mother families would fall by half if women's wages were adjusted upward to eliminate the effect of discrimination.¹⁶

In addition to the losses for individual families, the presence of discrimination likely causes women to under-invest in themselves and reduce their educational attainment and skill development. Seeing the lower wages they are likely to earn in the labor market, they realize it is rational to make less of an investment in expanding their earning power. Seeing the likely differential between their own wages and their husbands', women will likely "choose" to be the parent who takes more time off or works fewer hours to care for the children. The bias in women's wages in the labor market thus results in the failure of women to develop their skills and talents fully and reduces the pool of skilled labor available to the all employers. The loss of productivity and output to society is potentially quite substantial. A 1979 study by the Congressional Research Service estimated that the GNP would have been 4.4 percent higher if African Americans had not faced discrimination in the labor market.¹⁷ That figure is likely several times higher if white women are included in the calculation.

Remedies to Combat Wage Discrimination

Since wage gender-based wage discrimination occurs in several forms, strengthening several remedies makes sense. More funds for enforcing the laws we already have are needed. Research shows existing remedies are effective when used, but enforcement has not been strong nor consistent. Strengthening the 1963 Equal Pay Act through the proposed Paycheck Fairness Act will improve women's ability to win equal pay claims. Enacting a new remedy, the proposed Fair Pay Act, will address wage discrimination in female dominated jobs. Since a large proportion of women still work in these jobs, only the Fair Pay Act offers a useful remedy that can effectively raise women's wages in these jobs. While all are important, I would like to focus on this proposed remedy.

Original proposals for a federal equal pay act included provisions mandating equal pay for work of equal value; however, legislation could not be passed until it was limited to equal pay for equal work. The Equal Pay Act of 1963 and Title VII of the Civil Rights Act of 1964 have both been cited as providing redress for comparable worth cases, but the judicial

interpretations of the laws have varied. The proposed Fair Pay Act would provide a new clear set of remedies for pay discrimination when workers are segregated by sex, race, and/or ethnicity. The Fair Pay Act, by requiring employers to provide statistics on wages for different job titles in their firm, would provide workers with the information they need to examine existing pay rates. An employee whose claim of unequal pay for equivalent work was upheld would be entitled to an upward wage adjustment. The implementation of the proposed Act would proceed employer by employer. Each employer would be able to evaluate jobs in her or his own firm for equivalency and any wage adjustments would likely be made slowly, job by job. Thus, the Act provides a modest remedy that allows employers to set their own pay standards and rates as long as they are consistently applied and not discriminatory.

The Institute for Women's Policy Research, working with Elaine Sorensen of the Urban Institute, conducted a study of 20 state governments that had implemented pay equity wage adjustments in their civil services. To determine whether specific types of pay equity programs (for example, adjustments targeted at specific jobs vs systemic reform of job classification and compensation, often through the use of job evaluation tools across a wide range of jobs) effectively reduce gender-based wage discrimination and whether these programs cause any positive or negative unintended effects, researchers reviewed the types of programs implemented and, using both descriptive statistics and regression analysis, analyzed the effects on the wages and employment of female workers in the state civil services. The study relied on data collected from official state agencies, supplemented when necessary with information from labor unions and women's organizations.¹⁸

Some of the states studied implemented comprehensive civil service reform far beyond the scope of the proposed legislation, which requires only that employers adjust the pay of those employees whose claims of unequal pay for equivalent work are upheld. Nonetheless the findings from this study are relevant for several reasons. First, states were successful in comparing their jobs using uniform criteria applied consistently across jobs. Second, nearly all the states found pay gaps between comparable female- and male-dominated jobs, indicating that problems of gender bias in wage rates are potentially widespread. Third, the pay adjustments made by the states addressed the problem of unequal pay between men and women effectively; all states narrowed their gender wage gaps. Fourth, states that targeted specific underpaid female-dominated jobs spent a relatively small portion of their total wage bill on pay equity

adjustments, often less than one percent. This finding suggests that the proposed bill, since it will affect only jobs that are found to be underpaid, will not ordinarily require companies to redesign their entire personnel structures, so resulting remedies will tend to be modest and inexpensive. Fifth, these remedies did not have the unfortunate side effects that many economists predicted, such as causing unemployment or affecting the pay and employment practices of other employers. Let me review each of these findings in a bit more detail.

First, most states studied used job evaluation systems successfully to compare jobs and determine their value; several had existing systems in place, while others developed new ones, hiring consultants or developing their own job evaluation plans. Job evaluation plans identify compensable factors (such as skill, effort and responsibility) and rate each job for how much of each factor is required to perform the job, often giving each job a total numeric score. Jobs with the same total score are deemed equivalent, regardless of how the points are distributed among the factors. Many large employers in the private sector already use job evaluation, and, while sometimes these systems incorporate gender bias in them, they can often be modified with more accurate measures and applied more consistently to eliminate such bias.

The existence of many different job evaluation methods, that often yield different results when applied in the same workplace, indicates that the plans inherently involve judgment. They are not objective schemes but rather subjective ones that allow the employer to determine which factors should be considered more important than others. Once the factors are identified and their weights (or relative values) are established, however, what is required in their fair application is that these factors be measured accurately and the criteria be applied consistently across all jobs in the firm. Once values are subjectively determined by the employer, they must then be objectively applied to the jobs being studied.

In the IWPR study of state civil services, the level of pay inequity discovered varied according to the job evaluation plan used. For example, in New York State, in which three different studies were conducted using different methods, most female dominated jobs were found to be underpaid in all of them, but by different amounts. Because the method an employer uses to evaluate jobs will affect the size of the pay adjustments, employers should be required to keep records of their job evaluation and pay systems.

Second, although the level of pay inequity found depended on the job evaluation system used, nearly all the states studied found some level of gender-based wage discrimination in their

civil services. In Connecticut, for instance, female-dominated positions were found be paid eight to 19 percent less than jobs traditionally held by men which were comparable. For jobs receiving 350 points, men's pay was 123 percent of women's pay. Only pay equity adjustments can remedy this type of wage discrimination effectively.

Third, all states from which we could gather information succeeded in implementing reforms that had the effect of raising salaries in female-dominated jobs in their civil services, though not all of the states considered their wage adjustments to be motivated by pay equity concerns. Improvements occurred even in those states that targeted only a few occupations and spent only a small amount of money relative to their annual payrolls. In dollar terms, the salaries of affected women increased between \$716 and \$4,458 (1999 dollars), or an average of \$1,785 across the 16 states for which we had data. The percentage point improvement in the female to male wage ratio ranged considerably, from one to eight percentage points. Minnesota, Oregon, Washington, Michigan and Connecticut saw their female/male wage ratios increase by at least four percentage points. Wage gaps in these states were reduced by 25 to 33 percent (see Table 2). All fourteen states for which we had these data increased their wage ratios to between 74 and 88 percent, all higher than the national wage ratio of 71 percent in 1992, the year in which the implementation of most of these wage adjustments was completed.

Of course, because of other changes occurring simultaneously, not all the narrowing of the wage gaps observed was due to pay equity implementation. For three states with more complete data, Iowa, Minnesota, and Washington, multivariate modeling was used to estimate the cause and effect of observed wage changes. The results indicated that most of the observed changes were due to pay equity rather than changes in wages occurring in the overall economy.

Fourth, targeting undervalued and underpaid jobs is a cost-effective way to achieve pay equity. The states we studied implemented two types of reform: either they targeted adjustments at the most undervalued female-dominated jobs (seven states) or they made large scale changes in their personnel systems such as changing their classification and job evaluation systems (five states); in a few cases they did both (four states). Systemic changes were often implemented to achieve other goals in addition to pay equity.

Our study indicates that targeting undervalued jobs is clearly cheaper when the percentage point gain in the female/male wage ratio is compared to the type of program

**Table 2: Change in Female/Male Wage Ratio
During Pay Equity Implementation in Sixteen State Civil Services**
(States ranked by percentage point change in wage ratios)

State	Percent of Wage Bill Spent	Increase in Female/Male Ratio	Percent of Total Workforce Affected	Average Adjustment per Affected Worker (1990 Dollars)
Minnesota ¹	3.5%	0.08	30.6%	\$2,531
Washington ²	7.0%	0.07	63.7%	\$2,873
Oregon ²	9.8%	0.06	64.1%	\$2,718
Michigan ¹	1.0%	0.05	34.3%	\$1,195
California ¹	1.0%	0.05	35.3%	\$ 862
Connecticut ²	7.2%	0.04	79.7%	\$1,279
Maine (Univ.) ²	2.7%	0.03	36.6%	\$1,977
New Mexico ²	5.2%	0.03	73.8%	\$1,453
Pennsylvania ²	0.3%	0.02	3.5%	\$2,471
New York ²	1.0%	0.02	45.5%	\$ 685
Illinois ¹	0.7%	0.02	25.1%	\$ 562
Vermont ²	11.8%	0.02	78.7%	\$2,794
Iowa ²	7.6%	0.01	57.5%	\$3,497
New Jersey ¹	0.4%	0.01	15.0%	\$ 903
Massachusetts ²	4.2%	N	54.8%	\$2,081
Hawaii ¹	0.1%	N	1.8%	\$1,735

Source: Data collected by the Institute for Women's Policy Research (IWPR) from the states and other sources, as adjusted by IWPR.

¹ State targeted adjustments to specific jobs

² State used comprehensive system reform, and may also have used some targeting

N Data not available

implemented. Three states that used targeting, Minnesota, Michigan, and California, achieved wage ratio improvements of five percentage points or more. For these three states the "average" improvement was six percentage points at a cost of 1.8 percent of their wage bill. In comparison, two states that used comprehensive methods achieved wage ratio improvements of five percentage points or more. These two states, Washington and Oregon, experienced an "average" gain of seven percentage points at a cost of 8.4 percent of the wage bill. The proposed legislation adopts a targeting approach and should provide a cost effective way for employers to redress wage discrimination.

Fifth, pay equity was implemented in the state civil services without causing substantial declines in employment and without affecting pay practices in surrounding businesses. Opponents of pay equity often argue that forcing businesses to increase the wages of employees

in female-dominated jobs will cause those businesses to hire fewer women. Similar arguments were heard during the debates about the Equal Pay Act of 1963 and the Pregnancy Discrimination Act of 1978, as well, but statistical analyses have not found any disemployment effects of these earlier laws. In addition, pay equity implementation could be expected to raise or lower wages elsewhere (wage could fall if many displaced workers had to look for work elsewhere, or could increase if other employers had to compete for employees by raising wages). Our analysis found that for states in our study, pay equity implementation had only a minimal effect on employment and no "spill-over" effects, positive or negative, on wages in the private sector. In Minnesota for example, employment grew by 4.8 percent but would have grown by 5.1 percent in the absence of pay equity implementation. Iowa and Washington, where pay adjustments were more expensive, did show some negative employment growth. The loss was larger in Iowa where nearly all the adjustments were implemented in one year. To minimize employment loss it is important to phase in large pay adjustments over several years.

Conclusions

Our findings on the impact of pay equity remedies in the many states that have implemented pay adjustments in their civil services suggest that firms will be able to meet the requirements of the proposed legislation and that implementing comparable worth will help to close the pay gap between women and men. Raising women's wages by removing the discriminatory component of wage levels in female-dominated jobs should have an important place in our current economic policies. The lack of recent progress in further narrowing the wage gap, the increased reliance of families on women's earnings, and the cost to families in lost income and to our economy in lost productivity if nothing is done all point to the urgency of providing a remedy for wage discrimination in female-dominated jobs. Furthermore, pay equity should be a much more prominent part of the discussion as we debate policies to improve the lives of low-wage workers and to help women on welfare make the transition to paid work that can support their families. Pay equity can improve the pay of many low wage jobs in which women currently work. Women are the vast majority of low wage workers. According to a new study from the Educational Testing Service, of prime age workers consistently earning less than \$15,000 per year over five years, 85 percent were women.¹⁹ As IWPR recently calculated,

across all employers in all states, approximately half of the poverty of working single mother families would be alleviated if women were paid equally to comparable men.

IWPR's research clearly shows the need for new remedies such as the Fair Pay Act and further shows that such remedies are feasible and effective in accomplishing the goals. I urge the Congress to consider this legislation. As important as this new remedy is, however, it would not solve all equal pay and job access problem. Therefore, enforcement of the Equal Pay Act and of Title VII also needs to be strengthened.

If I or my staff can be of further help to you as you continue to deliberate on these issues, please do not hesitate to contact us. Thank you for holding this hearing and for the opportunity to testify.

End Notes

- ¹ *Explaining Trends in the Gender Wage Gap*, June 1998, A Report of the Council of Economic Advisers.
- ² *Explaining Trends in the Gender Wage Gap*, June 1998, A Report of the Council of Economic Advisers, p. 10
- ³ *Ibid.*
- ⁴ *Ibid.*, p. 11.
- ⁵ Robert G. Wood, Mary E. Corcoran, and Paul Courant, "Pay Differences among the Highly Paid: The Male-Female Earnings Gap in Lawyers' Salaries," *Journal of Labor Economics*, 11:3(July 1993), pp. 417-41.
- ⁶ *Good for Business: Making Full Use of the Nation's Human Capital*. A Fact-Finding Report of the Federal Glass Ceiling Commission, Washington, DC, March 1995.
- ⁷ Cited in Francine D. Blau, Marianne A. Ferber, and Anne E. Winkler, *The Economics of Women, Men and, Work*, 3rd edition, 1997
- ⁸ *Opportunities and Gender Pay Equity in New Economy Occupations*. A Report by the Council of Economic Advisors, May 11,2000.
- ⁹ Institute for Women's Policy Research. 1989. *Low-Wage Jobs and Workers: Trends and Options for Change*. Final Report to the Employment and Training Administration, US Department of Labor. November.
- ¹⁰ Committee on Occupational Classification and Analysis, *Women, Work and Wages: Equal Pay for Jobs of Equal Value*, ed. by Donald J. Treiman and Heidi I. Hartmann, National Academy Press, 1981.
- ¹¹ Panel on Pay Equity Research, *Pay Equity: Empirical Inquiries*, ed. by Robert T. Michael, Heidi I Hartmann, and Brigid O'Farrell, National Academy Press, 1989.
- ¹² Francine D. Blau, Marianne A. Ferber, and Anne E. Winkler, *The Economics of Women, Men and, Work*, 3rd edition, 1997
- ¹³ Francine D. Blau, "Trends in the Well-Being of American Women, 1970-1995," *Journal of Economic Literature*, 36:1 (March 1998), pp. 112-165.
- ¹⁴ Cited in Francine D. Blau, Marianne A. Ferber, and Anne E. Winkler, *The Economics of Women, Men and, Work*, 3rd edition, 1997
- ¹⁵ Women's Bureau, US Department of Labor, *Working Women Count! A Report to the Nation*, 1994; AFL-CIO, *Ask a Working Woman*, 1997; AFL-CIO, *Working Woman Say...*, March 2000.
- ¹⁶ Heidi Hartmann, Katherine Allen and Christine Owens. *Equal Pay for Working Families: National and State Data on the Pay Gap and its Costs*. A Joint Research Project of the AFL-CIO and the Institute for Women's Policy Research. 1999.
- ¹⁷ Charles C. Ciccone and John D. Fisk. Economics Division. Congressional Research Service. "An Estimate of the Loss in Potential Gross National Product Due to Existing Employment, Productivity, and Wage Differentials Between White and Nonwhite Workers in the United States." *The Cost of Racial Discrimination*. Hearing before the Joint Economic Committee, US Congress, October 19,1979 (Washington, DC: US Government Printing Office, 1980): No. 56-547 O).
- ¹⁸ Heidi Hartmann and Stephanie Aarsonson. "Pay Equity and Women's Wage Increases: Success in the States, A Model for the Nation." *Duke Journal of Gender Law & Policy*. Vol. 1, 1994.

¹⁹ Anthony P. Carnevale and Stephen J. Rose, "Low Earners: Who They Are? Do They Have a Way Out?" Conference Paper, Low Wage Workers in the New Economy, May 24-25, 2000 (Jobs for the Future).